

Message Text

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PAGE 01 NASSAU 00390 01 OF 02 220048Z

ACTION ARA-10

INFO OCT-01 ISO-00 PER-01 SS-15 SP-02 MMO-01 PM-04
L-03 EB-08 CU-02 INR-07 CIAE-00 DODE-00 ACDA-07
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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 9195

C O N F I D E N T I A L SECTION 1 OF 2 NASSAU 0390

E.O. 11652: GDS

TAGS: AMGT, PFOR, BF

SUBJ: BAHAMAS PARM: PART I - POLICY ASSESSMENT

REF: A) STATE 038356 B) STATE 038338 C) STATE 045461 D)
STATE 056024

1. US INTERESTS

U.S. INTERESTS IN THE BAHAMAS STEM FROM THE GEOGRAPHIC PROXIMITY OF THIS OTHERWISE SMALL AND RELATIVELY UNIMPORTANT COUNTRY. FROM A SECURITY POINT OF VIEW, WE SEEK A BAHAMAS FRIENDLY AND STABLE BOTH POLITICALLY AND ECONOMICALLY - A PARTICULARLY IMPORTANT GOAL GIVEN PRESENT CIRCUMSTANCES UNDER WHICH OUR MUTUAL NEIGHBOR CUBA HAS YET TO DEMONSTRATE A CHANGED INTENT. TO A LESSER EXTENT, SECURITY ALSO UNDERLIES OUR INTEREST IN CONTINUED ACCESS TO THE U.S. MILITARY FACILITIES HERE AND IN CONTINUED USE AND TRANSIT OF BAHAMIAN WATERS. THE LATTER INTEREST CARRIES WITH IT A CONCOMMITANT INTEREST IN ASSURING MUTUALLY COMPATIBLE OR SUPPORTIVE LOS POLICIES AND TACTICS; THE FORMER IS NOT IMMUTABLE SINCE THE FACILITIES COULD BE RELOCATED BUT ONLY WITH CONSIDERABLE DIFFICULTY AND EXPENSE AND PERHAPS WITH AN UNFORTUNATE IMPACT ON OUR PRIMARY INTEREST, LOCAL STABILITY. PROXIMITY HAS ALSO LED TO HEAVY U.S. INVESTMENT IN THE BAHAMAS,
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PAGE 02 NASSAU 00390 01 OF 02 220048Z

HEAVY TRADE WITH THE U.S. AND A HEAVY TOURIST FLOW FROM THE U.S. THESE CONSTITUTE U.S. INTERESTS NOT ONLY FROM THE POINT OF VIEW OF FOSTERING A FAVORABLE CLIMATE FOR INDIVIDUAL U.S. INVESTORS, TRADERS AND TOURISTS BUT ALSO FROM THE POINT OF VIEW OF THE NEGATIVE IMPACT THAT THE LOSS OF REVENUE TO THE BAHAMAS FROM THESE SOURCES WOULD AGAIN HAVE ON STABILITY. PROXIMITY AND BANKING LAWS DESIGNED SPECIFICALLY TO ATTRACT

FOREIGN ACCOUNTS HAVE BEEN EMINENTLY SUCCESSFUL AND NASSAU IS NOW A MAJOR WORLD CENTER FOR EURO DOLLAR ACCOUNTS AND EXCHANGE TRANSACTIONS. BANK SECRECY AND THE ABSENCE OF LOCAL TAXATION HAVE ALSO MADE THE BAHAMAS ATTRACTIVE FOR US CITIZENS SEEKING TO AVOID - AND IN SOME INSTANCES - EVADE U.S. TAXES. THESE ACTIVITIES ARE THE OBJECT OF INCREASING AND CLOSE SCRUTINY BY BOTH CONGRESS AND THE EXECUTIVE WITH POSSIBLY NEGATIVE REPERCUSSIONS ON OUR BILATERAL RELATIONS.

2. OVERVIEW

IF, AS THE S/P FORECAST FEARS, A MAJOR ECONOMIC CRISIS IN THE INDUSTRIAL DEMOCRACIES IS A POSSIBILITY, THE UNINSULATED "ONE" CROP" (I.E. TOURISM) BAHAMIAN ECONOMY WILL SUFFER MORE AND UNEMPLOYMENT WILL AGAIN CLIMB ABOVE 20 PERCENT, LEADING TO INCREASED STABILITY PROBLEMS. (ALSO A NORMALIZATION OF RELATIONS WITH CUBA COULD POSSIBLY SIPHON OFF A NUMBER OF TOURISTS WITH A SIMILAR LOSS OF INCOME FOR THE BAHAMAS.) THE DEMOCRATIC INSTITUTIONS THROUGH WHICH BAHAMIAN SOCIETY MUST DEAL WITH THOSE PROBLEMS ARE, ON CLOSE INSPECTION, SURPRISINGLY FRAGILE AND A DRIFT TO BENIGN ONE-PARTY GOVERNMENT A LA MEXICO IS ALREADY DISCERNABLE. THERE IS LITTLE WE COULD OR SHOULD DO ABOUT THIS DRIFT, WHICH MAY BE ACCELERATED BY ANOTHER PLP ELECTION VICTORY THIS YEAR AND THE ADVENT OF LOCAL T.V. IN THE NEAR FUTURE, AND THERE IS PROBABLY LITTLE TO FEAR FROM IT, PARTICULARLY IF IT LEADS TO A MORE TALENTED, MORE ACTION-ORIENTED GOVERNMENT.

ON THE SECURITY SIDE, WE WILL ENDEAVOR TO SEEK CONTINUED ACCESS TO OUR MILITARY FACILITIES HERE -- AN EVENTUALITY ALSO MADE MORE LIKELY BY THE 1977 ELECTIONS -- AND TO ASSUME

CONFIDENTIAL

PAGE 03 NASSAU 00390 01 OF 02 220048Z

A NEUTRAL, INTERESTED OBSERVER STANCE VIS-A-VIS THE NEW U.K.-ORIENTED AND SUPPLIED BAHAMIAN DEFENSE FORCE. THE FORCE WILL MAKE ONLY A SMALL CONTRIBUTION TO THE GCOB'S ANTI-SMUGGLING AND FISHERY ZONE ENFORCEMENT EFFORTS BUT WILL FILL A PSYCHOLOGICAL NEED. IN TERMS OF REAL DEFENSE, BAHAMIANS UNDOUBTEDLY ASSUME, AS WE DO, THAT AN UNWRITTEN U.S. COMMITMENT EXTENDS TO THE BAHAMAS.

WORKING LEVEL COOPERATION ON PRACTICAL PROBLEMS OF MUTUAL CONCERN (E.G., NARCOTICS, TERRORISM, SEARCH AND RESCUE, ETC.) WILL CONTINUE SMOOTHLY, ALTHOUGH COAST GUARD ENFORCEMENT OF OUR NEW FISHERY ZONE MIGHT PRODUCE MINOR STRAINS. STRAINS IN THE U.S.-GCOB RELATIONSHIP WILL ALSO BE ENGENDERED BY GROWING AND MORE INSISTENT PRESSURES IN THE U.S. TO BRING TAX EVADERS TO HEEL AND POSSIBLE BAHAMIAN INSISTENCE THAT WE RECOGNIZE THE ARCHIPELAGO. THESE STRAINS, COMPOUNDED BY A BAHAMIAN DESIRE NOT TO APPEAR TO BE A U.S. PAWN COULD MAKE IT MORE DIFFICULT FOR US TO ENSURE FAVORABLE GCOB VOTES ON MANY UNGA ITEMS.

THE JAMAICAN SITUATION AND A NEW WARMING IN U.S.-CUBAN

RELATIONS WILL FORCE THE GCOB TO PAY MORE ATTENTION TO CARIBBEAN POLITICS. THE FIRST ITEM ON THE GCOB'S CARIBBEAN AGENDA WILL BE FISHERIES NEGOTIATIONS WITH CUBA. SUBSEQUENT ITEMS WILL HAVE TO INCLUDE THE FORMATION OF AN OFFICIAL ATTITUDE TOWARDS A PROBABLY MORE THIRD-WORLDIST CARICOM.

3. U.S. OBJECTIVES

A. ENCOURAGE BAHAMIAN ATTITUDES AND POLICIES CONDUCIVE TO AMERICAN AND OTHER WESTERN POLITICAL AND ECONOMIC INTERESTS.

B. ENCOURAGE ECONOMIC DIVERSIFICATION, POPULATION CONTROL AND MARKET ALTERNATIVES THAT WOULD INCREASE THE INSULATION OF THE ECONOMY AND DECREASE THE PRESSURE ON IT.

C. NEGOTIATE CONTINUED ACCESS TO U.S. MILITARY FACILITIES IN THE BAHAMAS ON REASONABLE TERMS (I.E., RENT IN THE RANGE OF OUR DECEMBER 1975 OFFER WITHOUT ECONOMIC ASSISTANCE) AND WITHOUT LINKING NEGOTIATIONS TO OTHER ISSUES SUCH AS THE ARCH-IPELAGO.

CONFIDENTIAL

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PAGE 04 NASSAU 00390 01 OF 02 220048Z

D. ENCOURAGE COOPERATION IN AREAS OF PRIMARY CONCERN TO AMERICANS (E.G., TAX EVASION AND NARCOTICS CONTROL) AT THE SAME TIME RESPECTING BAHAMIAN SOVEREIGNTY AND PARTICULARLY WITH REGARD TO THE FORMER USING A DUAL APPROACH IN TAKING

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PAGE 01 NASSAU 00390 02 OF 02 220049Z

ACTION ARA-10

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L-03 EB-08 CU-02 INR-07 CIAE-00 DODE-00 ACDA-07

AGRE-00 AID-05 COME-00 NSC-05 OMB-01 OPIC-03 PC-01

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C O N F I D E N T I A L SECTION 2 OF 2 NASSAU 0390

CORRECTIVE MEASURES AT HOME AS WELL AS SEEKING BAHAMIAN ASSISTANCE.

E. NEGOTIATE MUTUALLY AGREEABLE FISHERY ZONES (AND, LATER, ECONOMIC ZONES) AND BOUNDARIES AND SEEK WAYS TO REDUCE AREAS OF STRAIN IN OUR RELATIONSHIP WHILE AT THE SAME TIME MAINTAINING OUR POSITION OF NON-RECOGNITION OF A UNILATERAL CLAIM TO THE ARCHIPELAGO.

F. INCREASE OUR LOBBYING EFFORTS ON UNGA AND OTHER MULTILATERAL ISSUES AND SEEK WAYS OF ENSURING THAT BAHAMAS WILL NOT HAVE TO APPEAR "OUT IN FRONT" OR NEARLY ALONE IN SUPPORT OF U.S. AND WESTERN POSITIONS IN UN AND OTHER MULTILATERAL FORA.

G. ENSURE THAT OUR RELATIONSHIP WITH THE BAHAMAS IS CONSIDERED IN OUR BILATERAL DEALINGS WITH CUBA.

H. MAINTAIN A NEUTRAL POSITION VIS-A-VIS THE BAHAMIAN DEFENSE FORCE.

I. BETTER EXPLAIN U.S. POLICIES TOWARD THE BAHAMAS TO AMERICANS, ESPECIALLY THOSE MOST DIRECTLY CONCERNED SUCH AS FLORIDIANS, AND SEEK CONGRESSIONAL UNDERSTANDING FOR OUR INTERESTS IN A STABLE, HEALTHY BAHAMIAN ECONOMY.

J. SINCE THE BAHAMIAN EMBASSY IS, AT THE MOMENT, OUR MOST OPEN CHANNEL OF COMMUNICATION AND SINCE, IN OBJECTIVE TERMS, AMBASSADOR JOHNSON HAS A BETTER UNDERSTANDING OF OUR BILATERAL RELATIONS, IMPRESS ON HIM OUR ASSESSMENT OF GROWING PUBLIC
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PAGE 02 NASSAU 00390 02 OF 02 220049Z

AND CONGRESSIONAL PRESSURE AGAINST TAX HAVENS AND PROVIDE HIM DOCUMENTARY EVIDENCE OF SUCH PRESSURE ON A CONTINUING BASIS.

K. SUPPORT ANY BAHAMIAN OR PRIVATE EFFORTS FOR AN AMENDMENT OF THE FOREIGN CONVENTIONS SECTION OF THE 1976 TAX BILL WHICH WOULD INCLUDE THE BAHAMAS IN A NORTH AMERICAN EXCLUSION.
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